

**SUMMARY OPEN-SESSION MINUTES  
CALIFORNIA SCHOOLS  
VOLUNTARY EMPLOYEES BENEFITS ASSOCIATION (VEBA)  
JUNE 25, 2014  
5:00 P.M. – 6:30 P.M.**

**Members Present:** Kevin Ogden, Mark Anderson, Marc Capitelli, Lora Duzyk, Brian Marshall, Ursula Salbato, Mary Ellen Berumen, Leticia Munguia, Patrick Prezioso, Robin Watkins, Jenny Salkeld, Katie Dexter, Steve Boyle

**Absent:** Ethel Larkins, Jennifer Walters

**Administrative Staff:** George McGregor, Paul Pergman, Celia Bloom, Seth Eberhardt, Nancy White, Bob Whiting, Alexandra Kroeger, Dana Martin, Zarin Godrej, Virginia Lewis

**Consultant:** Ron Mason (Towers Watson)

**Guests:** Scott Trendel (RBTK, LLP), Deborah Anderson (Kaiser), Laura Bowersox (ESTA), Amy Daily (ESI), Carissa Green (UHC), Lourdes Reyes (UHC), Debbie Harold (BB&T), Marianne Monfils (CSEA)

The meeting was called to order at 5:05 p.m. by Kevin Ogden. A quorum was present.

**Opening Comments from Co-Chairs**

Kevin Ogden informed the Board that Ethel Larkins was absent and was attending a training session.

**Approval of Minutes from May 9, 2014 Meeting**

Draft minutes of the May 9, 2014, open-session Board meeting were reviewed.

**MOTION:** (Steve Boyle) Approval of the May 9, 2014, open-session minutes. Seconded by Mark Anderson and approved.

**Auditor's Report – December 31, 2013 Audit – Trendel, RBTK LLP**

Scott Trendel with RBTK, LLP, reviewed the December 31, 2013 VEBA Audit report with the Board.

Mr. Trendel informed the Board that the 2013 financial statements presented, in all material respects, were prepared in accordance with generally accepted accounting principles and had received an unmodified opinion.

Mr. Trendel reported that there were no changes in accounting policies this year and there were no difficulties with management.

Mr. Trendel requested the Board to approve the Audit for December 31, 2013.

**MOTION:** (Mark Anderson) Approval of the December 31, 2013 Audit Report. Seconded by Jenny Salkeld.

### **Administrator's Report**

- **Monthly Operating Reports/Financials**

George McGregor informed the Board that Annemieke Tomey was absent from the meeting due to a delay in her flight from Las Vegas.

- **April 2014 – Schedule 3**

Mr. McGregor reviewed the April 2014 VEBA financial statements and disbursement report. He noted year-to-date Trust net assets of \$16,353,911.82.

**MOTION:** (Mark Anderson) Approval of the April 2014 financial statements and disbursement report. Seconded by Kevin Ogden.

- **January 2014 – Schedule 3**

Mr. McGregor reviewed the January 2014 VEBA financial statements and disbursement report. He noted a year-to-date increase in Trust net assets of \$495,956.

**MOTION:** (Lora Duzyk) Approval of the January 2014 financial statement and disbursement report. Seconded by Mark Anderson.

- **February 2014 – Schedule 3**

Mr. McGregor reviewed the February 2014 VEBA financial statements and disbursement report. He noted a year-to-date increase in Trust net assets of \$841,474.

**MOTION:** (Mary Ellen Berumen) Approval of the February 2014 financial statements and disbursement report. Seconded by Lora Duzyk.

- **March 2014 – Schedule 3**

Mr. McGregor reviewed the March 2014 VEBA financial statements and disbursement report. He noted a year-to-date increase in Trust net assets of \$1,026,677.

**MOTION:** (Mary Ellen Berumen) Approval of the March 2014 financial statements and disbursement report. Seconded by Jenny Salkeld.

- **General Manager's Report:**

- **VEBA Video**

George McGregor informed the Board that during the VEBA retreat in May 2014, it was decided that a video would be filmed to further explain the distinction between VEBA and McGregor. The video will tell the VEBA success story and VEBA's association with Towers Watson. The video will also describe all that VEBA is doing to bring about change in the health industry.

The video will be completed by August and will be presented at the Advisory meeting.

▪ Public Relations Opportunities

George McGregor gave an update to the Board of the following:

- ✓ He will be visiting Washington, D.C. to testify before Congress.  
Mr. McGregor requested permission from Board members to speak to Congress about VEBA
- ✓ The International Foundation of Employee Benefit Plans (IFEBP) has requested for McGregor and Associates to draft the VEBA section of the manual
- ✓ Two other sessions at the IFEBP Annual Conference in Boston have requested a presentation on VEBA

The Board unanimously agreed to grant Mr. McGregor permission on all three public relations requests.

▪ Advisory Committee Date/Format

Brian Marshall further explained to the Board members that McGregor and Associates will coordinate filming a video that would help carve out the VEBA brand name. McGregor and Associates will also work with Ron Mason at Towers Watson to send a communication to VEBA Districts and Associations updating them on renewal estimates.

**MOTION:** (Patrick Prezioso) Approval to authorize Towers Watson to send renewal estimates to VEBA member districts and associations. Seconded by Brian Marshall.

**Consultant's Report Through 06/2014**

- Prescription drugs: Actives, Retirees <65 (excludes High Desert)
  - In the last 6 months, drug costs have climbed at an annual rate of 5.4% after adjusting for reduced use
  - Level specialty drug costs have contributed to this percentage increase
- High Desert Prescription drugs: Actives, Retirees <65
  - HDIT experienced a significant increase in specialty drug costs in the last 3 months. The VEBA loss, after rebates and estimated run-out, is approaching \$400,000
- Prescription drugs: EGWP
  - Drug trend slowed to 5.5% - primarily because the high use of specialty drugs started about a year ago
- Mail Rx utilization
  - Use has slipped below 55%. EGWP retirees have reduced mail use by 7% since August
  - VEBA's preference for mail is based on the following:

- ✓ Improved pricing
  - ✓ Lower net member costs
  - ✓ Higher drug compliance when members use mail
  - ✓ The use of Therapeutic Resource Centers for members with chronic conditions (better counseling about medications and their conditions)
- HMO (excludes High Desert)
    - Costs have been favorable for the last quarter.
    - Supplemental rider costs doubled in April. Towers Watson has inquired
    - ACA costs are running about \$550,000 per month
    - There has been a reduction in large claim costs
  - High Desert HMO
    - In total, on an incurred basis, the HMO is running slightly over premiums
  - Medicare Supplement
    - Claims are running at a break-even basis
    - The biggest growth in claims has been outpatient facility claims (+40%)
  - PPO/EPO/Out-of-Area (non-CA participants)
    - This population is made up of retirees, a few COBRA, and out-of-state students
    - This virtual lack of large claims has allowed for very favorable claim experience
    - ACA raises costs about \$6800
  - High Desert PPO
    - On an incurred basis, the PPO continues to run at an estimated loss
    - None of this impacts VEBA rates

## Other

- July Quorum  
George McGregor informed the Board that a few of the board members had notified him that they would not be able to attend the July 30, 2014 Board meeting. Therefore all members who could attend the meeting were requested to raise their hands to see if a quorum would be present.  
With a quorum now confirmed, it was determined that the July 30, 2014 meeting will proceed.
- IFEBP Annual Conference Attendance  
Mr. McGregor requested the Board members to inform his Executive Assistant, Ms. Alexandra Kroeger, if they were interested in attending the IFEBP Annual Conference.

- Board Member Service Recognition

George McGregor informed the Board that for three of its sitting members this would be their last Board Meeting.

He thanked Kevin Ogden, Marc Capitelli and Jennifer Walters (absent), and in appreciation of their dedication and service to the VEBA Board, presented each of them with a plaque. He spoke highly of their integrity and indicated that they will be missed by all.

The meeting adjourned at 5:51 p.m. The next open-session meeting will be held at 5:00 p.m., July 30, 2014, in the McGregor & Associates conference room.